Boulder's Path to Municipalization

APPA National Conference: June 17, 2014

Agenda

I. Community Introduction
II. Why Municipalize?
III. History
IV. Evaluation Process
V. Where We Are Today
VI. Our Vision – Utility of the Future
VII. Challenges
VIII. Discussion and How to Stay Informed

Community Introduction

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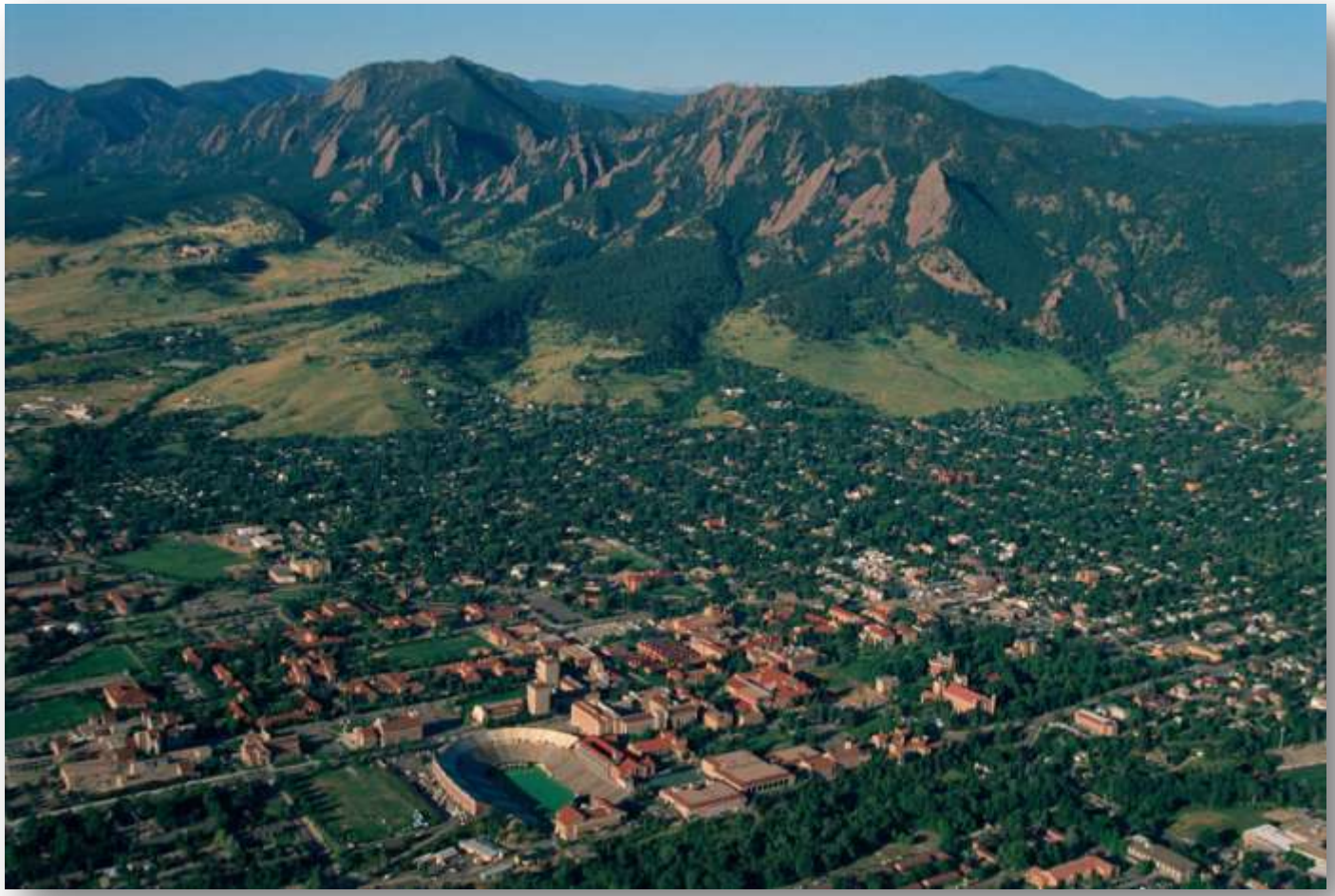

Community Introduction

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- 25 miles north of Denver
- Approx. 100,000 residents (280k in county; 4.3 million in Front Range)
- ~ 50k daily in-commuters
- ~ 100k jobs/6% unemployed
- 25 square miles of urban area
- 95 square miles of open space

Community Introduction

- First community to tax itself to preserve open space
- First mandatory green building requirements
- First “carbon tax” in US
- Leader in creating effective and replicable energy efficiency and conservation programs

Why Municipalize?

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Why Municipalize?

Initial motivation stemmed from Boulder's Climate Commitment -

- Integrated planning initiative to **reduce greenhouse gas (GHG) emissions** from city operations and community at large
- In July 2013, council provided direction to formulate strategy to achieve **80 percent GHG reductions** below 1990 levels by 2050

Why Municipalize?

Other Benefits:

- **Rates -** Stable, predictable, competitive, dynamic
- **Reliability -** Resilience through upgrades and local generation
- **Local Economic Development -** Reinvesting locally, platform for innovation
- **Local Decision-making –** Increasing the voice of customers in decisions about rates and investments

Why Municipalize?

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It's about Decarbonization, Decentralization, and Democratization of our Electricity Services

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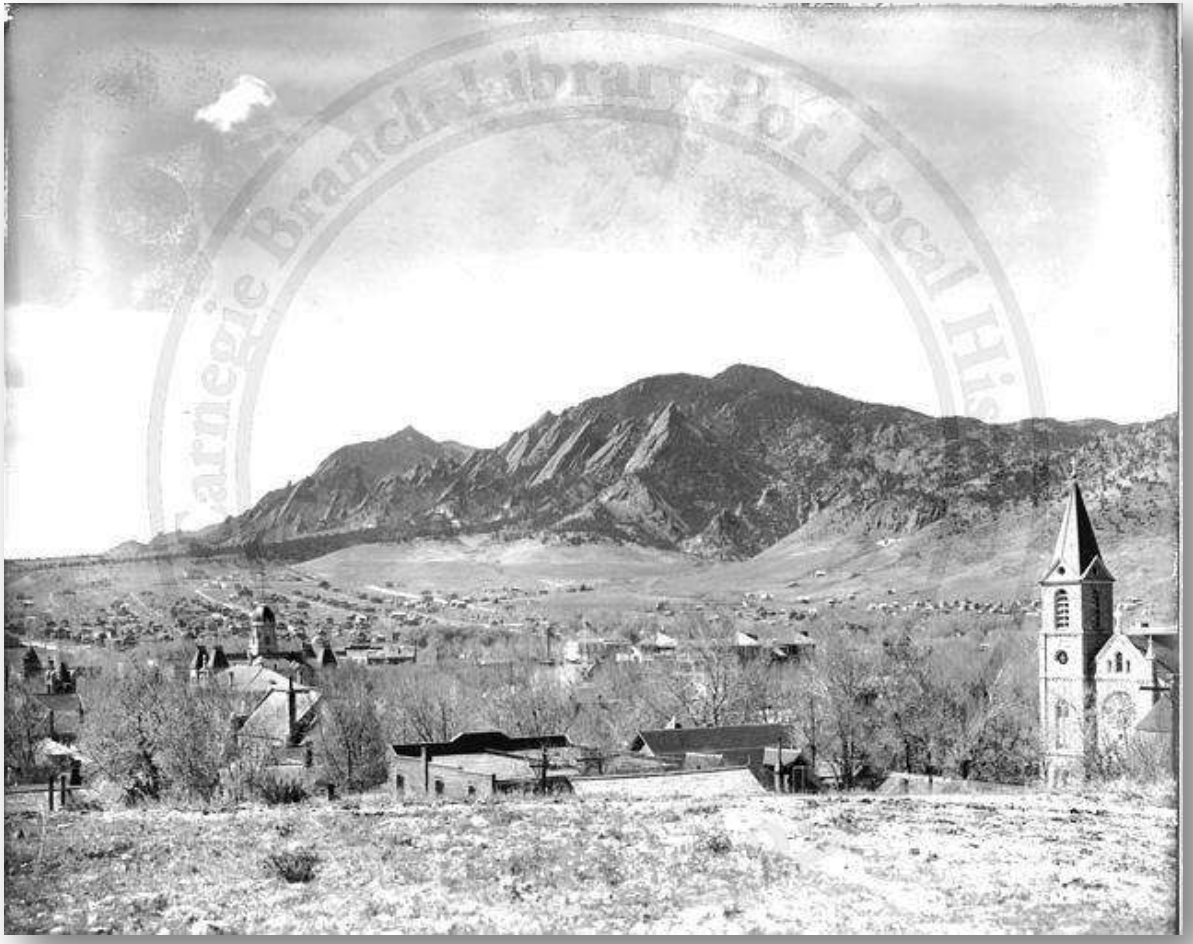
What we want ↓

What we have ↓

History of Municipalization



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History

- **2005 –** City began researching power supply options; delayed pursuit because of SmartGridCity commitments by Xcel

- **2010 –** Franchise with Xcel Energy expired, city decided not to renew after extensive negotiations

History

- **November 2010 –** Boulder voters approved utility occupation tax to replace franchise fee (about $4.1 million a year)

- **Post-franchise decision –** City renewed previous negotiation with Xcel Energy to explore possible partnership to achieve energy goals without public power

History

- **November 2011 –** Boulder voters passed measures to fund a careful evaluation of municipalization ($1.9 million a year) and establish Charter requirements that would drive creation

- **January 2012 to August 2013 –** Conducted analysis to determine if municipalization could meet Charter requirements and add community value

Evaluation Process

Evaluation Process

City of Boulder Charter requirements:

- Rates equal to or less than Xcel's at acquisition
- Sufficient revenue to cover operating costs plus earn a debt service coverage margin of 25%
- Reliability comparable to that offered by Xcel
- Increase renewable energy and decrease emissions
- Independent 3rd party review
- $214 million cap on debt for acquisition
- Representation of any non-city customers

Evaluation Process

Rigorous quantitative analysis

- Detailed data collection, vetting and modeling of baseline and alternative scenarios
- Working groups formed to advise staff
- Models approved by independent 3rd party
- Showed it was not only feasible but there are several models under which we could make significant environmental progress while keeping rates on par over 20 years and improve reliability

Evaluation Process

Rigorous qualitative analysis:

- Evaluated existing publicly owned utilities (POUs)
- Learned there are exemplary POUs with proven track records in many areas including rates, reliability and renewable energy

Evaluation Process

What we learned from other POUs:

- *Hermiston, OR, HES est. 2001*
  - Low Rates - well below average rates IOUs charge residential & commercial customers
- *Sacramento Municipal Utility District est. 1946*
  - Renewable Energy - one of nation's top 4 utilities to implement green programs, increase solar & see high participation rates

Evaluation Process

What we learned from other POUs:

- *Denton Municipal Electric, TX, est. 1905*
  - Economic Development - jobs created through utility, business development to improve efficiency & renewable energy
- *Jefferson County, Washington, est. 2008*
  - Decreased CO_2 Emissions: Over time rates projected to be lower than IOUs with decreased carbon emissions

Evaluation Process

What we learned from other POUs:

- *Winter Park, FL, est. 2005*
  - Increased Reliability - POU formed due to outages with IOU; strong program to improve reliability includes putting significant portion of power lines underground
- *Fort Collins Utilities, CO, est. 1887*
  - Resilience & Reliability - one of the most reliable electric distribution systems in the country, 99% of lines underground

Where We Are Today

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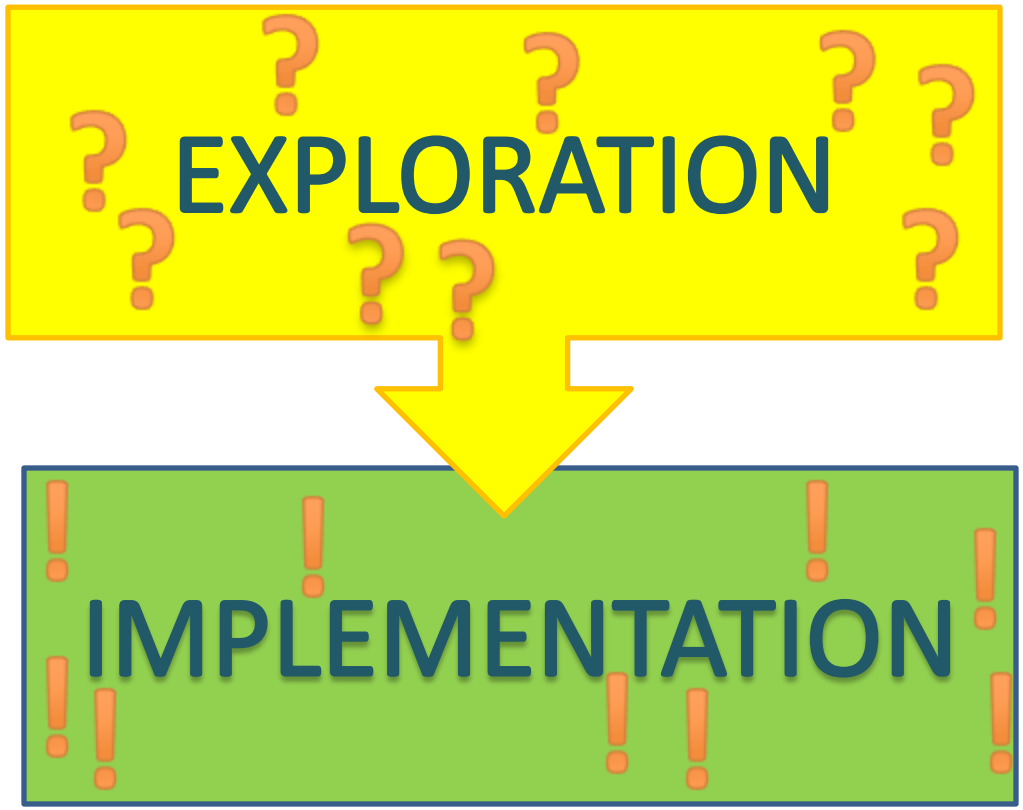
Where We Are Today

- **August 2013 –** Council authorized filing of condemnation to acquire Xcel assets if negotiations fail

- **November 2013 –** Boulder voters defeated opposing ballot measure, reaffirmed commitment

- **Fall 2013 – ongoing** – Legal and regulatory processes; transition planning; additional community visioning

Where We Are Today



Where We Are Today

Refined goals for implementation:

- Position the city to safely, reliably and cost-effectively operate the electrical system
- Integrate the utility with the city organization
- Provide a seamless customer interface
- Manage legal, regulatory and technical issues, processes and requirements
- Proactively identify and mitigate risks

Where We Are Today

We're developing a transition plan, or roadmap, for implementing a retail utility operation.

Key Milestones:

- Day 1 (3rd quarter 2016) – City funds local electric system & takes ownership of assets
- Day 2 (18-24 months after Day 1) – City completes separation from Xcel Energy & assumes full operation
- Post Day 2 – transition to the utility of the future

Where We Are Today

Legal and regulatory outcomes will determine which scenario will be implemented.

Areas of activity:

- Condemnation
- PUC
- Federal Energy Regulatory Commission (FERC)

Vision – Utility of the Future

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Vision – Utility of the Future

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"The Utility of the Future connects the wants, needs and desires of the user with the core values of the community in the most efficient and sustainable way possible."

How can Boulder -

- Focus on customer choice & treat energy as a service not a commodity?
- Become a hub of innovation and technological advances?
- Change the business model to reflect the values & economics of the 21st

Vision – Utility of the Future

The energy utility market is changing.
This shift is necessary and inevitable.

Current Business Model

Desired Business Model

Vision – Utility of the Future

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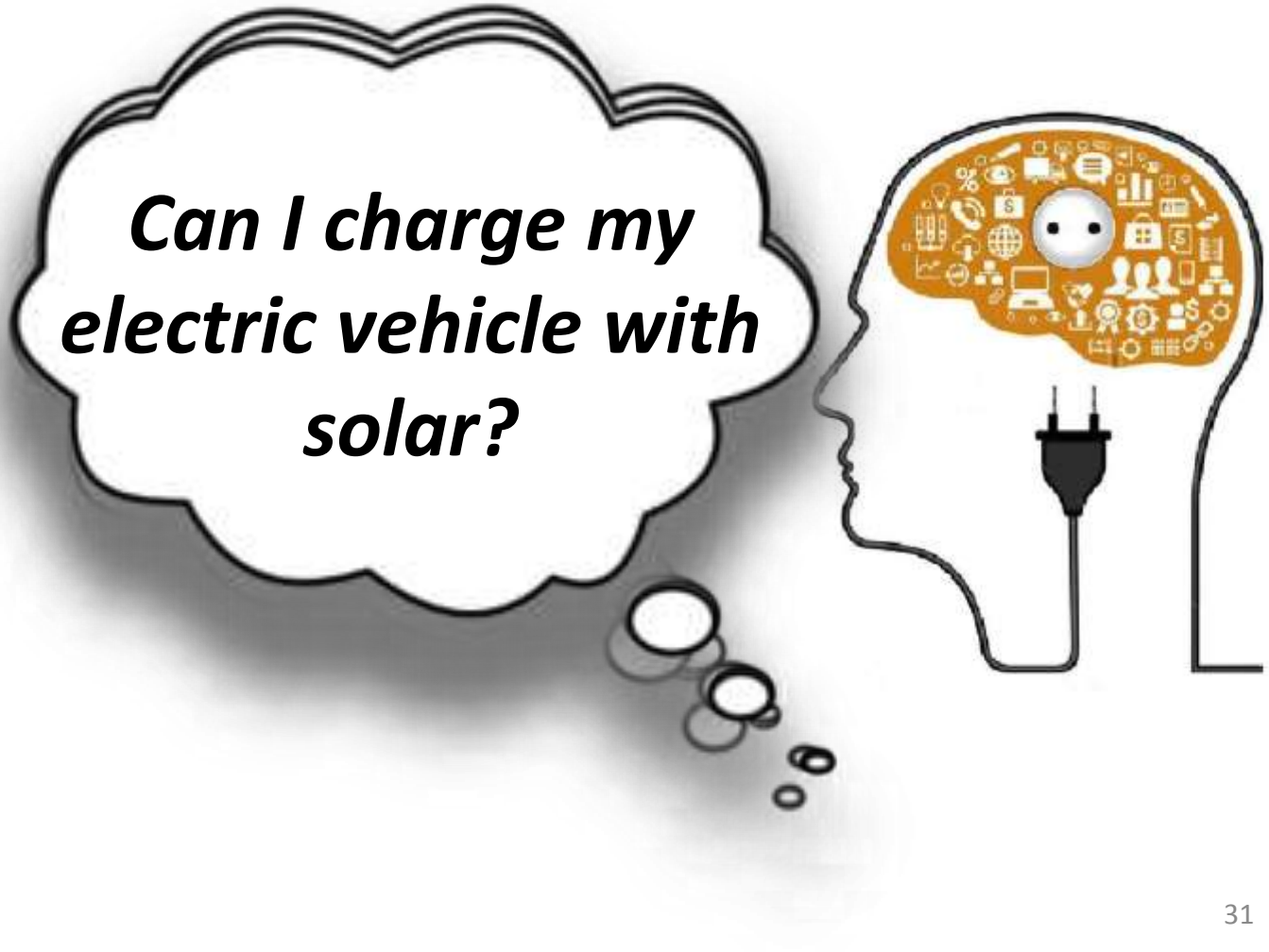

Challenges

- Largely uncharted legal and regulatory areas PLUS an uncooperative seller
- Big-bucks campaign to defeat efforts, including hiring of anti-municipalization consultant
- Confusion within the public, leveraged by those who oppose municipalization who are, in some cases, being backed in a non-transparent way by Xcel Energy

Challenges

- Unproductive task force process
- Skepticism by some in the business community
- The need for two different transition plans, depending on whether Xcel is required to work with us

Discussion and Stay Informed

Follow along at www.BoulderEnergyFuture.com

- Sign up for E-News updates and newsletter
- Use online comment form for questions, feedback or suggestions

Send an email to staff team

- energyfuture@bouldercolorado.gov

Contact Heather Bailey with questions/comments

- BaileyH@BoulderColorado.gov or 303-441-1923